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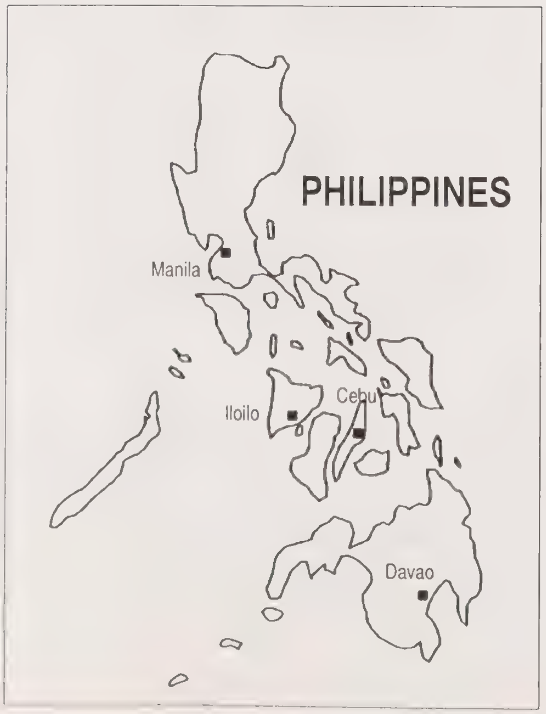
GEOGRAPHY

The Philippines consist of more than 7,000 islands that cover a total area of 300,000 km^2 in the southwest region of the Pacific Ocean. The 11 largest islands make up more than 95 percent of the country. Thick forests once covered most of the Philippines, however since the 1950s, extensive lumbering has destroyed most of the resources. Narrow strips of lowland lie along the coast of the islands. Volcanic mountains rise on most of the country's larger islands, and many of the volcanoes are active. Violent earthquakes occur frequently on the islands. The climate is hot and humid.



DEMOGRAPHICS

The total population was 68.6 million in 1995. The Philippines has a wide variety of languages, customs, and ways of life. The official languages are Tagalog, English and Spanish.

The Philippines has more Christians (about 95 percent) than any other nation in Asia. About 90 percent of Philippine adults are literate. Most Filipinos have large families and maintain a close relationship with all family members. Fifty-one percent of the population lives in urban areas. About half the population, including nearly 2 million in Manila, live on Luzon, the largest island. Manila, the capital, is the nation's largest city and busiest port.

ECONOMIC OVERVIEW

Philippine development is guided by a series of four- and five-year development plans prepared by the National Economic and Development Authority. The current Medium Term Development Plan for 1993-98 broadly calls for rural industrialization (to disperse industries to regions outside the Metro Manila area), comprehensive agrarian reform, rehabilitation and sustainable use of the country's natural resources, technological upgrading of production sectors, and greater contribution of tourism to economic growth and regional development.

Combined with widespread evidence of restored political and macro-economic stability, economic reforms since 1992 have stimulated growing interest from potential foreign investors and renewed confidence domestically. After two years of economic lethargy triggered by power supply problems and macro-economic stabilization concerns, the economy began to recover in recent years.

In 1995, Gross National Product (GNP) expanded by 5.5 percent, spurred by industrial production, exports and investment. The Government is targeting GNP growth of 6 to 6.5 percent in future years, which many economists and businessmen consider achievable.

Average year-to-year consumer price inflation has been kept at single digits since 1992 and the financial restructuring in 1993 of the previously insolvent Central Bank (now known as Bangko Sentral ng Pilipinas, or BSP) now allows monetary authorities to conduct open market operations more effectively. The inflation rate was 8.1 percent in 1995.

In 1994, the National Government realized its first fiscal surplus in twenty years with the help of new taxes and the privatization of large assets. A more viable fiscal position and staggered reductions in reserve requirements on peso deposits have brought down interest rates to more affordable levels.

A series of debt restructuring and buy-back arrangements has reduced the Philippines' once severe foreign debt service burden (40 percent of export receipts in the mid-1980s) to 15.1 percent (1995) of export revenue. These debt relief agreements included a 1992 Brady deal, which paved the way for the Philippines to re-enter the voluntary foreign capital markets after an absence of one decade. The Government is currently working to wean itself from exceptional foreign financing.

While the economic situation and prospects for sustainable growth have improved appreciably, important challenges remain for the Philippines to solidify the recent economic progress. Economists continue to express the need to keep a close watch on the fiscal and external accounts, both of which have been problem areas in the past.

Recent trends have improved. Privatization has boosted the Philippine Government's financial resources, for example, but it is not a sustainable source of revenue. These concerns call for continued efforts to attract foreign direct investment, streamline the government bureaucracy, rationalize spending, reform the tax system, improve tax collection efforts, and improve the country's comparatively low domestic savings rate.

Prices of goods and services are generally determined by internal market forces, with the exception of fuel and basic public utilities such as transport, water and electricity. Although "nationalist" blocs and vested interests can sometimes pose obstacles to the pace of reforms, the Philippine Government's thrust since 1986 has generally been towards deregulation and liberalization. Reforms in trade, investment and foreign exchange policies are important examples.

Over the course of the current five-year development plan period, agriculture's share of GDP is planned to decline from 22.6 percent to 18.5 percent; industry's share of GDP will increase from 35 percent to 38.5 percent, with emphasis on construction (12.6 percent annual growth) and manufacturing (9.6 percent annual growth); and services will increase its GDP share slightly from 42.5 percent to 43 percent. The GDP per capita was $1,350 in 1995.

Important challenges remain, particularly in the fiscal sector and balance of payments situation. The percentage of the population living below the poverty line in 1990 was 40 percent in urban areas and 54 percent in rural areas. The Philippines' human development world rank was 95 of 174 in 1995. The Philippine labour force is characterized by its relatively high level of education, youthfulness, versatility, and fluency in English.

The Philippines maintains a fairly extensive network of roads, with the highest road densities located in Metro Manila and in other key commercial areas, as well as over 400 operational ports. Major infrastructure projects are outlined in the Core Public Investment Program (CPIP) of the Philippines' 1993-98 Medium Term Development Plan.

POLITICAL OVERVIEW

The Philippines has a presidential form of government with a separation of powers among the Executive, Legislative and Judicial branches. There are four principal political parties, all of which espouse moderate policies and appeal to similar constituencies. Overall political stability has improved significantly with the declining strength of communist insurgents and the neutralization of military coup plotters.

Trade between Canada and the Philippines has increased sixfold (plus 433 percent) since 1985, reaching $826 million in 1995. Canadian exports to the Philippines reached $328 million in 1995 while imports from the Philippines totalled $497.4 million.

Canadian exports have been traditionally dominated by agricultural and resource commodities. Opportunities for manufactured and high technology products exist, particularly in the power, telecommunications, mining, and agri-food sectors. Canada's share of the Philippines' imports is approximately 1.2 percent of its total requirements.

The trade and investment climate in the Philippines continues to improve. EDC and CIDA have been supportive of Canada-Philippines trade and investment relations since 1986.

With Canadian direct investment at approximately $100 million, Canada ranks as the 15th largest investor in the Philippines. Major investors include Sun Life (for over 100 years), the Bank of Nova Scotia (40 percent equity in Solid Bank) and B.C. Packers (tuna cannery).

HOUSING CONDITIONS

Fifty-one percent of the Filipino population lives in urban areas. Most Filipino houses in the rural areas stand close together in small clusters. They have wooden walls, and the roofs are made of thatch or corrugated iron. Wealthy city families live in large houses that are surrounded by walls. Government-built housing projects are common in the cities. Many poor urban people live in roughly constructed shacks in sprawling slums.

The World Bank housing indicators for Manila in 1990 indicated that the average floor area per person was 12 m^2, with 3 persons per room and 1.1 households per dwelling unit. Eighty percent of the structures were considered to be permanent and 66 percent had water connection. The percentage of owner-occupancy was 48 percent.

In 1994, 200,000 low-cost housing units were targeted to be completed. The Philippine National Shelter Program is extending housing loans to 1.1 million households by 1998. Because of inadequate public sector resources to finance growing infrastructure requirements, the Philippine Government laid down the legal framework for build-operate-transfer (BOT) and build-transfer (BT) arrangements in 1990. Under a BOT arrangement, a contractor builds an infrastructure facility, owns and operates the facility for a fixed term (not to exceed 50 years) while collecting rents, fees or appropriate charges, and then turns over ownership of the facility to the Government.

Land ownership in the Philippines is constitutionally restricted to Filipino citizens or to corporations with at least 60 percent Filipino ownership.

Overview

The Philippines is an archipelago of approximately 7,000 islands stretching from Malaysia to Taiwan. With a population of approximately 68.6 million people and one of the fastest growth rates in the world, there is a great need for housing, especially for the marginal classes. The government estimates a need of 3.8 million housing units for the period 1993-98. This represents 760,000 housing units per year. By November, 1996, 635,000 units were left to be built.

Prior to the regime of President Marcos, the Philippines was one of the most dynamic economies of Southeast Asia with GDP per capita exceeding that of most of its neighbours. Now it is one of the poorest countries of the regions. Infrastructure including power generation and transportation suffered badly during the Marcos era but the successive democratic governments under Presidents Aquino and Ramos in the last decade have succeeded in re-establishing democracy and rebuilding the ailing economy. Infrastructural projects, the private sector participating through BOT or BOO, are given a high priority. Real GDP growth in 1996 will climb by 5.4 percent. The country is considered to be stable.

A construction boom is underway in the Philippines primarily for infrastructure projects. This has resulted in shortages of building commodities such as concrete, reinforcing rod lumber and galvanized sheets.

Major Participants in the Housing Industry

The government's primary mandate in the housing sector is the provision of social or low-cost housing and the development of infrastructure.

Private builders are starting to move into the construction of social housing but their primary interest is the provision of housing to the upper-middle class.

Private financial institutions and government agencies provide financing for housing but access to financing remains a problem due to the hesitancy of lending institutions to finance housing because of low yield and long amortization periods at a time when interest rates fluctuate significantly.

Key Housing Market Institutions

There is a variety of government agencies with responsibilities for housing in the Philippines.

Housing and Urban Development Coordinating Council (HUDCC)

This agency has responsibility to formulate goals and strategies for housing at the national level, coordinate other agencies, monitor housing targets, propose new legislation, encourage private sector participation, and ensure the implementation of the National Shelter Program (NSP).

National Housing Authority (NHA)

This agency is responsible for implementation of the National Shelter Program. It is the sole government agency for the provision of shelter for low and marginal income groups, slum upgrading and the provision of new site and services for re-settlement projects.

National Home Mortgage Finance Corporation (NHMFC)

This is the main implementing agency of the Unified Home Lending Program (UHLP). It is the major government home mortgage institution, the main function of which is to operate a viable home mortgage market. Long-term funds for this are provided from various government programs including the Home Development and Mutual Funds (HDMF).

Home Insurance Guarantee Corporation (HIGC)

This is a government run guarantee and credit insurance agency which provides incentives to the private sector to participate in the finance and production of housing. It provides security through guarantees to banks lending to developers and buyers.

Housing and Land Use Regulatory Board (HLURB)

This is the sole regulatory body for housing and land development. It is charged with liberalizing housing standards to make shelter more affordable.

Home Development and Mutual Funds (HDMF)

This is a program which collects money from those earning in excess of $300 per month. They provide funds for social housing.

Other Organizations

The Department of Science and Technology is responsible for housing and technical research.

The Department of Trade and Industry is responsible for standards and codes.

Housing as a National Priority

The Government of the Philippines has a number of agencies involved in housing that operate under the National Shelter Program. These include the Housing and Urban Development Coordinating Council, the National Housing Authority and, Housing and Land Use Regulatory Board.

The national government has placed a high priority on infrastructure development but housing is given a lower priority compared to other basic needs due to a lack of savings. Historically, the government has allocated less than 1 percent of the national budget to the housing sector.

State of the Local Transportation Networks

As a result of neglect during the administration of President Marcos, the transportation systems in the Philippines must be improved. Because the Philippines is an archipelago, the most effective means of transportation is by water. About $600 million will be spent over the period 1993-1998 to upgrade ports and facilities. There is also a program to upgrade land transportation both by road and by rail. However, these improvements have only begun. Exporters to the Philippines can expect transportation to be constricting until the upgrading is complete.

MATERIALS AND LABOUR

Materials

"One-stop-shopping" does not exist in the Philippines. Materials are sold by entrepreneurs who tend to be located in specific locations within an urban region. There are no integrated suppliers of materials. A small builder purchases materials from a variety of suppliers. Larger builders either buy directly from a manufacturer, import directly or deal with importing agents.

The construction boom has created shortages in the domestic supply of many construction materials including cement, reinforcing bar, galvanized sheet steel and lumber. These shortages are being met by imports.

Labour

Skilled labour is generally available to the house construction market, providing medium to good quality work, given the use of relatively primitive tools and equipment. By North American standards, the productivity is low.

HOUSING MARKET ACTIVITY, NEED AND DEMAND

Local Technology

Traditional housing is masonry construction using concrete blocks on a concrete slab. Sizes will range from 24 to 36 m^2 for urban poor, 100 to 150 m^2 for lower-middle class in rural and urban areas to 500 m^2 for the upper-middle class, mostly in urban areas.

In response to the shortage of concrete, reinforcing rod and other traditional construction materials, a wide variety of new technologies are being introduced from Japan, Hong Kong, Korea, Taiwan, and Australia. These technologies include composite panels, prefabricated concrete panels, light gauge steel sections, and wood concrete panels. All of these are manufactured locally using foreign technology and as much local material as possible.

Local Housing Activities

As of December 1995, there were almost 7,000 contractors in the country. These are broken down as follows:

Category	Number
Large	218
Medium	1,753
Small	4,295
Other	590

The largest builders tend to be concentrated in the metropolitan regions of Manila and Cebu. Smaller builders tend to locate in rural areas.

The contractor will generally supply most of the labour on a job but in some circumstances may subcontract to specialized firms while retaining overall responsibility to the owner.

There is a stated requirement for assistance in improving manufacturing techniques for prefabricated or component-built housing. This reflects the need to improve both quality and productivity in house construction.

The quality of house construction is good. However, this must be put into the context of a low-income country in a warm climate. The growing middle class in the urban areas of the Philippines is demanding higher quality housing with more amenities but this is greatly overshadowed by the lower class for whom there exists a great demand for basic shelter.

Housing Need

According to the Housing and Urban Development Coordinating Council a serious housing shortage of 3.8 million units (of which about half have been built) will exist over the next five years. If financing were available, this would create a national demand of 760,000 units per year. Of this total, the national capital region around Manila and the region to the south both require 106,000 units per year. The region immediately to the north in the centre of Luzon requires 80,000 units per year. Thus within a 200 hundred mile radius of Manila, there is a demand for almost 300,000 housing units per year. However, a large proportion of this total is social housing comprising units of 24 to 100 m^2. As of early 1997, approximately half of these units have been built.

The causes of this large backlog are the rapid formation of family units, 2.4 percent in rural areas and 5 percent in urban areas, lack of funds and prohibitive costs (relative to income) of land and construction materials. This situation is likely to continue into the foreseeable future.

EXPORT OPPORTUNITIES AND STRATEGIES

The economic forecasts for the Philippines are positive. Growth in GDP is forecast to be 5.4 percent in 1996 and in 1994 for the first time in 21 years, the government achieved a budget surplus. National imports in 1995 were US$21 billion. Exports were US$15 billion. However, the Philippines imports from Canada were valued at $328 million in 1995 while exports to Canada were $497.4 million.

Buying power in the Philippines is limited but growing. Per capita GDP was US$1370 in 1995 compared to US$808 in 1993. According to the Philippines government, a household can afford an average of US$720 per year for shelter.

The Philippines market is a particularly good opportunity for Canadian pre-engineered housing. Canadian housing generally has the technical qualities for strong acceptance in the huge and continuing market of this growing Asian economy, and the pre-engineered sector has particular advantages for immediate entry. The Philippines business culture is amenable to working with Canadian exporters and the political/regulatory climate is reforming to better accommodate foreign participants. The pre-engineered housing sector can enter this market by bringing their technological product into joint ventures with experienced building firms in the Philippines to address the pressing needs for social housing.

During the last five years, Canadian housing exporters have begun to enter the Philippines market. From 1992-96 the housing industry exports grew from a few thousand dollars up to approximately $20 million. While total Canadian exports from all industries to this market increased by 50 percent housing exports grew by orders of magnitude. The Philippines accounts for a small proportion of all Canadian housing exports, approximately 2 percent, but this proportion has also been rising steadily in the last few years. Clearly the Philippines is an emerging market for Canadian housing.

Table 1: Exports to the Philippines

Industry (SIC)	Exports to the Philippines (in Cdn $000)				
	1992	1993	1994	1995	1996
2500 Wood Industries	16	840	2,028	2,341	2,012
2541 Prefab Wood Bldg		77	78	254	264
2542 Kit Cab & Vanity			456	41,044	16,160
2543 Wood Doors & Windows				113	81
3023 Pre-Eng. Metal Bldg		77	78	254	264
3244 Mobile Homes		2			
Subtotal	16	997	2,640	44,006	18,782

Other opportunities for demand in the short term that the study team was able to identify include:

- steel studs and sections for load-bearing and non-load bearing walls; and
- importing cement.

As with most of the countries in Asia, the Philippines does not yet make widespread use of western construction techniques and technologies. The expanded use of steel studs and sections will have additional spin-off benefits to drywall imports and other technologies.

Business Customs

Office hours for business firms and the Philippine Government are normally from 8:00 a.m. to 5:00 p.m. It is best to attempt to accomplish business objectives in mid-morning or late afternoon. Many business deals are completed informally during meals, entertainment, or over a round of golf. Offices are generally closed on Saturdays and Sundays.

Summer-weight clothing normally worn in temperate zones is suitable for the Philippines. It is acceptable for business people to conduct calls in short or long-sleeved shirt and ties without a coat. The native "barong tagalog" (a light-weight, long-sleeved shirt worn without a tie) is ordinary business attire for businessmen. Light suits and dresses are appropriate for women. Tailors abound, and laundry and dry-cleaning facilities are available.

People may travel to and stay in the Philippines for business, pleasure, or health reasons without a visa for not more than 21 days and are exempt from payment of immigration fees and charges. This may be extended for another 38 days (visa waiver). Thereafter, they may apply for the regular monthly extensions for a maximum stay of one year and fifty-nine days.

Temporary visitors who have been allowed to stay in the country for more than 6 months may apply for Alien Certificate of Registration (ACR) and Certificate of Residence as Temporary Visitor (CRTV) with the main office of the Bureau of Immigration (BI) or with its sub-ports which have territorial jurisdiction over these aliens.

Official holidays are shown in Table 1. In addition, June 24, Manila Day, is observed only in the City of Manila while August 19, Quezon Day, is observed only in Quezon City. Special public holidays such as Election Day and EDSA Revolution Day, may be declared by the President and are observed nationwide.

Table 2: Holidays

January 1	New Year's Day
March/April	Easter Holidays, which include Maundy, Thursday and Good Friday
April 9	Bataan and Corregidor Day and Heroism Day
May 1	Labour Day
June 12	Independence Day
August 28	National Heroes Day
November 1	All Saints' Day
November 30	Bonifacio Day
December 25	Christmas Day
December 30	Rizal Day

Business Infrastructure

The Philippine climate is tropical. December, January and February are generally considered the most pleasant months. The hot season or Philippine summer is from March to June. The rainy season, punctuated by typhoons, lasts from June until November.

There are two official languages in the Philippines: English and Pilipino. English is widely spoken and is the major language used in the Philippine school system, as well as the usual language of commerce. Pilipino, based on Tagalog, is the national language and is required by the Philippine Government to be taught in schools. Relatively few Filipinos speak or use Spanish.

There is a large labour pool of over 26 million Filipinos ranging in age from 15 years and above. Filipinos are among the most productive, creative, and easily trainable people in Asia. They are also among the most educated, with a literacy rate of 85 percent.

In the Philippines, one can travel comfortably to any part of the country. An extensive road network links practically the whole of the archipelago. The country also has hundreds of ports, 25 of which are major ones. It has two international airports, four alternate international airports and about 180 smaller airports.

Use of accredited hotel taxis can be arranged with the doormen of the hotels and are recommended

over taxis hailed on the street. These taxis charge a flat rate for travel to specified locations.

Car rentals are also available with or without a driver although cost is much higher than in Canada. Franchisees such as Avis, Hertz, Budget charge rental rates that are higher than those of local firms.

Visitors to the Philippines have a wide choice of hotels and apartments for short stays. There are 13 five-star hotels operating in Metro Manila. These include the Westin, Traders Hyatt Regency, Holiday Inn, Manila Pavilion, Grand Boulevard, Diamond, Manila Hotel and Heritage, which are all located in the Bay area. Makati, the business district, features the Hotel Intercontinental, Peninsula, Mandarin Oriental, Nikko Manila Garden, Shangrila Manila and the New World Hotel. In the Greenhills area there are the EDSA Shangrila Hotel and Galleria Suites Condotel. All hotel rates are quoted in dollars, exclusive of a 10-percent service charge and 10-percent value-added tax.

For expatriates staying for longer periods, well-appointed houses, townhomes and condominium units are in good supply.

The Philippines has the largest number of educational institutions in Asia. It has several international schools and a number of private schools for American, British, German, French, and Japanese children in the primary and secondary grades.

However, sanitary conditions in the Philippines are not on par with those in North America, and uncooked food and unboiled water should be avoided. The air in Metro Manila is heavily polluted, although other areas outside the city enjoy better environmental quality.

Distribution and Sales Channels

The country's national centre and capital is Metropolitan Manila. It provides the entire country with a variety of specialized central services. It also serves as an inter-regional centre for all the northern provinces and a major centre for a large immediate hinterland. Manila is the country's nerve centre of industrial and financial activity, transportation and communications, trade, and educational services.

Approximately 85 percent of Philippine foreign trade passes through the Port of Manila; 90 percent of imports enter this Port to be distributed to the other principal cities via trucks and inter-island vessels.

About 90 percent of all Philippine industries are located in the greater Manila area in three major locations. The first, an area of heavy industry, is situated along the banks of Pasig River, which flows through the city and the port area into Manila Bay. Cargo discharged from vessels in the bay is often loaded on barges and lighters for transport via the Pasig River to the industrial area. The second industrial district, containing medium-sized plants, is located about 15 miles outside of Manila at Antipolo, in the Marikina Valley. Supplies and raw materials are generally carried from the port area by truck. The third major industrial area is located in Makati, currently the central business area in the country and the most prosperous of the Manila suburbs. In addition to small manufacturing plants, a considerable number of distribution centres, trading firms, and commercial banks are located here. Makati is also a shopping area for higher-income residents.

In addition to Manila, the other major inter-regional centres are Cebu City, Iloilo, Davao, and Zamboanga. Cebu City, the third largest city in the Philippines, is the prime trading centre in the southern part of the archipelago. Its hinterland is mainly accessible by boat. Iloilo shares with Cebu the servicing of the country's central area. Davao, the second largest city in the Philippines, enjoys a trade monopoly in Southern Mindanao, due mainly to the presence of land and water connections with nearby provinces. Zamboanga functions partly as an inter-regional centre. Transportation to the hinterland is almost entirely by water since there are only a few roads along the peninsula.

Furnishing the archipelago with basic economic, political, and social services are about 40 major and 35 secondary centres situated throughout the Philippines. These are comparatively small, with populations of up to 60,000. Their importance lies in the fact that they render essential urban services to their respective territories. Most of these centres are on the coasts and a number of them are medium-sized ports.

Finding a Partner

Agent and distributor arrangements are common in the Philippines. Given Filipino affinity for North American products, Filipino companies generally are eager to pursue discussions once they have examined a firm's product literature and have determined that there is a market for the product. They offer useful information to the North American firm on pricing its product for the Filipino market.

Filipino agents and distributors perform a full range of functions, including negotiating sales transactions, directing the physical movement and storage of the product, and providing product services in order to ultimately deliver the product to final buyers at the destination, at the appropriate time and in the quantities requested.

Foreign manufacturers and their Filipino agents or distributors are bound by a contract which should contain the following key elements:

- General Provisions: Identification of parties to the contract, duration of the contract, conditions of cancellation, definition of covered goods, definition of territory or territories, and sole and exclusive rights.
- Rights and Obligations of Manufacturer: Conditions of termination, protection of sole and exclusive rights, sales and technical support, tax liabilities, conditions of sale, delivery of goods, prices, order refusal, inspection of distributor's books, trademark/patent protection, information to be supplied by the distributor, advertising and sales promotion, responsibility for claims/warranties, and inventory requirements.
- Rights and Obligations of Distributor: Safeguarding manufacturer's interest, payment arrangements, contract assignment, customs clearance, observance of conditions of sale, after-sales service, and information to be supplied to the manufacturer.

There are no Filipino laws that impede termination of an agent or distributor contract, should either party wish to do so. Contracts usually specify that 30 days' notice must be given in the event of cancellation.

There is no typical profile of a Filipino agent or distributor. Firms can range in size from small (fewer that 25 employees handling only a few specialized products on behalf of a limited number of manufacturers) to large trading companies handling a wide range of products and suppliers. Some Filipino firms focus only on the Metropolitan Manila area, whereas others also service provincial commercial centres such as Cebu, Davao, Iloilo, and Baguio.

Any Filipino agent or distributor should be registered with the Philippine Securities and Exchange Commission.

Joint Ventures and Licensing

An increasingly common method for enterprises embarking on business operations in the Philippines is through joint ventures with local enterprises. There are two compelling reasons: the joint venture reduces the amount of capital the investor must put up, since a local partner shares in the capital requirements of the new business; and if the proper local partner is selected, the joint venture provides the new business with important local marketing know-how and management skills.

Philippine law on joint venture corporations states that where activity to be undertaken is partially "nationalized", the foreign entity is limited to equity participation where the prescribed majority shall be held by Filipinos. Nationalized means reserved for ownership by Filipino citizens only.

The Bureau of Patents, Trademarks, and Technology Transfer under the Department of Trade and Industry is the government body that approves and supervises all licensing/technology transfer agreements.

The term technology in the Philippine context refers to contracts or agreements entered into by and between domestic Filipino companies and foreign-owned companies involving the transfer of systematic knowledge for the manufacture of a product, or the application of a process; rendering of a service, including management contracts; licensing of all forms of industrial property rights including marketing and distributorship agreements involving the licence to use foreign trademarks, trade names and service marks and other marks of a proprietary nature.

Included in the foregoing arrangements are local distributorships, export marketing agreements that involve the licensing of foreign trademarks, and retainerships of foreign firms or individual technicians for the rendering of management and technical consultancy services as part of the technology transfer or licensing agreement.

So that royalties may be remitted in full, net of taxes, at the prevailing exchange rate, royalty, or technical service contracts between residents and non-residents (payment which is based on the value of the article manufactured, used, or sold) must be registered with the Bangko Sentral ng Pilipinas (Central Bank).

Establishing an Office

A business enterprise must comply with the following requirements before it can start operations:

- apply for registration of the business name with the Bureau of Domestic Trade;
- register with the Securities and Exchange Commission if a partnership or a corporation;
- apply for a Barangay permit and Mayor's permit to operate in a chosen locality of business; secure municipal licence (Export Processing Zone Authority enterprises excluded);
- register with the Bureau of Internal Revenue to obtain Tax Account Number, Value-Added-Tax Registration Number, and individual residence certificates for owners/incorporators; and
- register employees with the Social Security System, Medicare, and Department of Labour and Employment.

The essential forms of business organization in the Philippines are sole proprietorships, partnerships, and corporations. Other less common business forms include joint stock companies, joint accounts, business trusts, and cooperatives. A foreign entity, depending upon the nature of its intended activity in the Philippines, may establish and register any of the following: a branch, a subsidiary, a licensing and franchising agreement, a joint-venture agreement, and a regional headquarters.

Selling Factors and Techniques

There are several invaluable sales tools that Canadian suppliers should employ in order to maintain market leadership. Canadian firms should exercise due diligence in the selection of their local distributors, agents, or representatives, since they are important market links. After selection, Canadian firms must provide full support to their local representatives. Periodic visits to the Philippines should be conducted to keep abreast of developments in the industries they are serving, to touch base with their local representatives to discuss problems or to devise marketing techniques, and to visit customers.

There should be a strong emphasis on regular customer calls by local representatives in order for them to identify sales targets or opportunities. Training programs for customers and distributors, advertising and product promotion support, and participation in trade fairs, exhibitions and product seminars are of lesser importance but nevertheless are needed in order for Canadian suppliers to maintain leadership in this highly competitive market.

Advertising and Trade Promotion

The Philippines is a brand-conscious market. Advertising plays a significant part in promoting the sale of most goods, particularly nondurable consumer goods. Most of the current 107 advertising agencies have patterned their organization after North American advertising agencies.

The availability of inexpensive, mass-produced transistor radios and the growth of radio stations throughout the country have made radio the unrivalled mode of communications in the Philippines. It is the least expensive mode to reach the rural population. Almost two-thirds of all families have one or more radios.

While television has grown rapidly in the last decade, it is concentrated mostly in Manila and other urban centres. Almost half of Manila's families own a television set, but only 5 percent of all Filipino families own a television. The high cost of television sets and the absence of

television stations in many parts of the country make television viewing a "remote" possibility in rural areas.

Over 20 national daily newspapers, all published in Manila, provide domestic and international news, as well as an expanding standard medium for advertising. The widest-circulated paper is the Manila Bulletin. Other widely-read newspapers are the Manila Times, Manila Chronicle, Philippine Daily Inquirer, Philippine Star, and Manila Standard. The widest circulated tabloids are People's Journal, People's Tonite, Daily Globe, Tempo, and Balita. Among the many business journals is the Construction Industry Association of the Philippines Newsletter.

Pricing Products

In most instances, price is the primary consideration in the purchase decision of Philippine buyers. However, in some cases the quality of the product as well as the after-sales service and support, and availability of spare parts, supersede price as a primary criterion. End-users prefer North American-made products if they can afford them because they are well known for high quality and durability. While the reliability of foreign products works to the advantage of Canadian suppliers, they should nevertheless be concerned with cheaper prices being offered by third-country competition. Canadian manufacturers and suppliers should be flexible in their prices and, where appropriate, should be prepared to provide end-users in different income brackets with alternative products.

Sales Service and Customer Support

Next to price, after-sales service and support are extremely important factors to marketing success in the Philippines. It is imperative for Canadian firms to provide this support during and after the warranty period in order to satisfy their customers. End-users talk to each other, and word-of-mouth can either make or break a Canadian product.

Selling to the Government

The Philippine government itself is a large direct importer (usually through competitive bidding) of many essential products, including road building and maintenance equipment, cement, machinery and equipment for various government projects, and military and defence equipment.

The Philippine government procurement regulations permit a foreign company to bid on government procurement only if it maintains a registered branch office or a registered resident agent in the Philippines. The first step in obtaining government business is to be placed on the Bidder's Mailing List of the agency with which the applicant is interested in doing business. This is done by sworn application accompanied by certified copies of the company's application for the Certificate of Registration issued by the Philippine Bureau of Commerce, articles of incorporation, a receipted franchise tax bill, an up-to-date financial statement, and other attachments, as required. Application forms of the various procurement agencies are substantially the same in most respects.

All procurement of the Philippine military agencies are undertaken directly from manufacturers, except in the following cases:

- When the manufacturer's marketing policy does not allow direct sales to its customer, the Philippine government may procure from the sole or exclusive distributor of the firm's products.
- Foreign procurement may be undertaken through a duly licensed local representative of the foreign manufacturing firm. However, procurement from agents, brokers, import-export firms or any intermediary which has been engaged for the express purpose of making any particular sales will not be authorized.
- Government-to-government transactions require registration and accreditation of manufacturers and suppliers. A list of accredited suppliers is published annually and updated quarterly.

In addition, foreign contractors are allowed to participate in the construction of only internationally bid and foreign-financed or assisted projects in the Philippines. For this purpose, foreign contractors must apply to the Philippine Contractors Accreditation Board (PCAB) for a special licence which is issued on a project-by-project basis.

Protecting Your Intellectual Property

In order to protect their products from intellectual property rights (IPR) infringement, Canadian manufacturers and suppliers should register their patents, trademarks, and brand names with the Bureau of Patents and Trademarks located on the 5th Floor of the Department of Trade and Industry Building, Sen. Gil J. Puyat Avenue, Makati City.

Need for Local Legal Assistance

It is advisable to have contracts and agreements executed in the Philippines so that the laws of the Republic of the Philippines shall govern the interpretation of these documents, and in the event of litigation the venue will likewise be the Philippines.

The use of a local lawyer is highly recommended for Canadian firms that wish to establish an office in the Philippines, in order to obtain easier access to the various government offices involved. For firms maintaining operations in the Philippines, it is advisable to retain a local attorney or law office to handle legal matters.

Regulatory Issues

The Government's ongoing tariff reform program entered its fifth and last phase on July 1, 1995. The program lowered the Philippines' average nominal tariff to about 20 percent, grouped into four tiers of 3, 10, 20, and 30 percent.

A value-added tax (VAT) of 10 percent is imposed on imports for resale or reuse. The VAT is based on the total value used by the Bureau of Customs in determining tariff and customs duties, plus import duties, excise taxes, and other charges. Other charges refer to charges on imports prior to release from customs, including postage, insurance and commissions. If duties are determined on the basis of volume or quantity, the base is the landed cost (duties, freight, insurance, and other charges). Firms located in export processing zones and free ports are exempt from VAT.

EDC Financial Risk Assessment

The Export Development Corporation (EDC) helps Canadian companies compete in world markets through the provision of financial and risk management services. These include export credit insurance, financing to foreign buyers of Canadian goods and services, and guarantees.

The following information was obtained from the EDC Country Risks and Opportunities *book (fall, 1996).*

These issues should be taken into consideration when assessing financial risk in the Philippines:

- The current administration has brought confidence and stability to the Philippines, and has been instrumental in liberalizing the economy, alleviating power problems, lifting restrictions on foreign investment, making the Central Bank an independent entity and turning around the external debt problem.

- The government's macro-economic framework has been supported by a three-year Extended Fund Facility (EFF) with the International Monetary Fund (IMF), signed in June 1994. The program is still in place. The government managed to convince the IMF to adjust the monetary targets upwards to give the economy room to accelerate. However, the IMF's warning of potential inflationary pressures have proved accurate.

- A surge in capital inflows, higher food prices due to adverse weather, higher oil prices and bottlenecks have led to strong inflationary pressures. Inflation was in double digits at the beginning of 1996, breaching the 7.5 percent target agreed with the IMF. The goal of 6 percent for 1996 will be difficult to meet.

- As soon as the crippling power crisis ended, economic growth resumed. Confidence swelled, prompting a surge in investment and a veritable boom in construction. Even though the economy was jolted by the Mexico crisis in January 1995 and subsequently by a severe drought, the economy has shown some resilience to external shocks. In fact, the economy has been accelerating and growth may be 6.5 percent in 1996 and 7 percent in 1997. Economic expansion was fuelled by a burst of domestic liquidity due to capital inflows (particularly from workers' remittances), and also by solid growth in exports, manufacturing and investment.

- The liberalization agenda of 1996 includes deregulation of the oil sector from its tight web of price controls. Despite progress made in recent years in bringing public finances into balance, the long-awaited Comprehensive Tax Reform Package (CTRP) is still needed, as the bulk of revenue burden is on a few taxpayers. In its absence, the revenue/GNP ratio is likely to decline and the current large privatization receipts can no longer be counted upon. Moreover, capital spending needs to be increased to address the large backlog of infrastructure needs that were not met. The consolidated public sector budgetary deficit was less than 1.5 percent of GNP in 1995, against a target of 2 percent. In 1996, it is projected to be 0.5 percent of GNP.
- Despite good export performance, the trade deficit has worsened due to the appreciation of the peso and strong demand for imported capital goods associated with the recovery in investment and the rehabilitation of power generating capacity. The trade deficit is expected to be in excess of US$10 billion during the 1996-97 period. Lower interest payments, high workers' remittances and tourism receipts have helped to limit the external current account deficit, but it has been much larger than in the past few years, growing from US$2.5 billion in 1996 to perhaps US$2.5 billion in 1997. The Philippines will need large capital inflows to replenish foreign reserves to the targeted US$10 billion level by the end of 1996 and US$12 billion in 1997, which would be the equivalent of 2.7 months in 1996 of imports and 2.9 months in 1997.

Collection Experience

Secure trading terms are the norm in the Philippines, but there is a growing trend toward more lenient terms. The overall collection experience is fair. Caution is advised related to credit and financial issues.

Canada Mortgage and Housing Corporation

Housing Export Centre	700 Montreal Road Ottawa, ON K1A 0P7	Tel.: 1-800-465-6212 or (613) 748-2000 Fax: (613) 748-2302

Canadian Government Departments and Services

Department of Foreign Affairs and International Trade (DFAIT)	InfoCentre Lester B. Pearson Building 125 Sussex Drive Ottawa, ON K1A 0G2	Tel.: 1-800-267-8376 or (613) 944-4000 Fax: (613) 996-9709 FaxLink: (613) 944-4500 InfoCentre Bulletin Board: Tel.: 1-800-628-1581 or (613) 944-1581
	Asia and Pacific Trade Division South East Asia Division (PSE) 125 Sussex Drive Ottawa, ON K1A 0G2	Tel.: (613) 995-7659 Fax: (613) 944-1604
Canadian International Development Agency (CIDA)	Business Cooperation Branch, Bureau for Asia 200 Promenade du Portage Hull, PQ K1A 0G4	Tel: (819) 997-7901 Fax: (819) 953-5024
Canadian Commercial Corporation (CCC)	50 O'Connor Street, 11th Floor Ottawa, ON K1A 0S6	Tel: (613) 996-0034 Fax: (613) 995-2121
Canadian Embassy in the Philippines	11th Floor, Allied Bank Centre 6754 Ayala Avenue Makati City, Metro Manila Republic of the Philippines 1200	Tel.: (011-63-2) 867-0001 Fax: (011-63-2) 810-1699/810-8839

International Trade Centres

Newfoundland	International Trade Centre P.O. Box 8950 Atlantic Place 215 Water Street Suite 504 St. John's, NF A1B 3R9	Tel.: (709) 772-5511 Fax: (709) 772-5093
Prince Edward Island	International Trade Centre P.O. Box 1115 Confederation Court Mall 134 Kent Street Suite 400 Charlottetown, PE C1A 7M8	Tel.: (902) 566-7443 Fax: (902) 566-7450
Nova Scotia	International Trade Centre P.O. Box 940, Station M 1801 Hollis Street Halifax, NS B3J 2V9	Tel.: (902) 426-7540 Fax: (902) 426-5218
New Brunswick	International Trade Centre 1045 Main Street Unit 103 Moncton, NB E1C 1H1	Tel.: (506) 851-6452 Fax: (506) 851-6429
Quebec	International Trade Centre 5 Place Ville-Marie Seventh Floor Montreal, PQ H3B 2G2	Tel.: (514) 283-6328 Fax: (514) 283-8794
Ontario	International Trade Centre Dominion Public Building 1 Front St. West Fourth Floor Toronto, ON M5J 1A4	Tel.: (416) 973-5053 Fax: (416) 973-8161

International Trade Centres (cont'd)

Manitoba	International Trade Centre P.O. Box 981 330 Portage Avenue 8th Floor Winnipeg, MB R3G 2V2	Tel.: (204) 983-5851 Fax: (204) 983-3182
Saskatchewan	International Trade Centre The S.J. Cohen Building 119-4th Avenue South Suite 401 Saskatoon, SK S7K 5X2	Tel.: (306) 975-5315 Fax: (306) 975-5334
Alberta ** Edmonton office is also responsible for Northwest Territories*	International Trade Centre Canada Place 9700 Jasper Avenue Room 540 Edmonton, AB T5J 4C3	Tel.: (403) 495-2944 Fax: (403) 495-4507
	510-5th Street S.W. Suite 1100 Calgary, AB T2P 3S2	Tel.: (403) 292-4575 Fax: (403) 292-4578
British Columbia **Vancouver office is also responsible for the Yukon*	International Trade Centre 300 West Georgia Street Suite 2000 Vancouver, BC V6B 6E1	Tel.: (604) 666-0434 Fax: (604) 666-0954

Export Development Corporation (EDC)

Ottawa	151 O'Connor Street Ottawa, ON K1A 1K3	Tel.: (613) 598-2500 Fax: (613) 237-2690
Vancouver	One Bentall Centre 505 Burrard Street Suite 1030 Vancouver, BC V7X 1M5	Tel.: (604) 666-6234 Fax: (604) 666-7550
Calgary	510-5th Street S.W. Suite 1030 Calgary, AB T2P 3S2	Tel.: (403) 292-6898 Fax: (403) 292-6902
Winnipeg **office also serves Saskatchewan*	330 Portage Avenue Eighth Floor Winnipeg, MB R3C 0C4	Tel.: (204) 983-5114 Fax: (204) 983-2187
Toronto	National Bank Building 150 York Street Suite 810 P.O. Box 810 Toronto, ON M5H 3S5	Tel.: (416) 973-6211 Fax: (416) 862-1267
London	Talbot Centre 148 Fullarton Street Suite 1512 London, ON N6A 5P3	Tel.: (519) 645-5828 Fax: (519) 645-5580
Montreal	Tour de la Bourse 800 Victoria Square Suite 4520 P.O. Box 124 Montreal, PQ H4Z 1C3	Tel.: (514) 283-3013 Fax: (514) 878-9891
Halifax	Purdy's Wharf, Tower 2 1969 Upper Water Street Suite 1410 Halifax, NS B3J 3R7	Tel.: (902) 429-0426 Fax: (902) 423-0881

Philippines Government Offices in Canada

Embassy of the Philippines	130 Albert Street Suites 606, 609 Ottawa, ON K1P 5G4	Tel.: (613) 233-1121 Fax: (613) 233-4165

Philippines Government Offices in Canada (cont'd)

Consulate offices:	151 Bloor Street West Suite 365 Toronto, ON M5S 1S4	Tel.: (416) 922-7181 Fax: (416) 922-2638
	470 Granville Street Suites 301-308 Vancouver, BC V6C 1V5	Tel.: (604) 685-7645 Fax: (604) 685-9945
Philippine Trade Commission	60 Bloor Street West, Suite 409, Toronto, ON, M4W 3B8	Tel.: (416) 967-1788 (416) 967-1798 Fax: (416) 967-6236 e-mail: ptctoronto@aol.com

Multilateral Organizations

World Bank	Washington, DC 20433 U.S.A.	Tel.: (202) 477-1234 Fax: (202) 477-6391
Office for Liaison with International Financial Institutions	Canadian Embassy 501 Pennsylvania Avenue N.W. Washington, DC 20001	Tel.: (202) 682-7719 Fax: (202) 682-7726

Business and Professional Organizations in Canada

ASEAN-Canada Business Council (ACBC)	c/o Canadian Chamber of Commerce 55 Metcalfe Street Ottawa, ON K1P 6N4	Tel.: (613) 238-4000 Fax: (613) 238-7643
Asia Pacific Foundation	666-999 Canada Place Vancouver, BC V6C 3E1	Tel.: (604) 684-5986 Fax: (604) 681-1370
Alliance of Manufacturers and Exporters Canada	99 Bank Street, Suite 250 Ottawa, ON K1P 6B9	Tel.: (613) 238-8888 Fax: (613) 563-9218
Philippine Trade Commission	60 Bloor Street West, Suite 409 Toronto, ON M4W 3B8	Tel.: (416) 967-1788 967-1798 Fax: (416) 967-6236 e-mail: ptctoronto@aol.com

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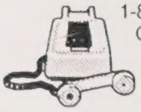

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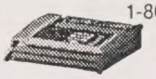
Outside Canada call
1-613-748-2003

Charge to VISA, American Express or MasterCard.

To avoid double billing, please do not send confirmation.



FAX TO
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Outside Canada
1-613-748-2016

VISA, American Express, and MasterCard.

To avoid double billing, please do not send confirmation. A fax will be treated as an original order.

Please Print

Name		
Company or Organization	Position Title	
Address		
City	Province/State/Country	Postal/Zip Code
Telephone Number ( )	Fax Number ( )	

METHOD OF PAYMENT

☐ Please charge my VISA ☐ American Express ☐ MasterCard ☐

Card Number

Expiry Date

Signature

☐ Payment enclosed $ ____________

Please make cheque or money order payable to CMHC

To Complete See Example on Reverse Side

ORDER NUMBER	REPORT TITLE Please be sure the order number and report title match the listing	1 QTY	2 ITEM AMOUNT $	3 TOTAL $ AMOUNT 1 x 2	4 SHIPPING POINTS	5 TOTAL SHIPPING POINTS 1 x 4
					3	
					3	
					3	
					3	
					3	
					3	
					3	
					3	
					3	

Subtotal Column 3	A	
ADD Shipping & Handling Regular Mail ☐ Courier ☐	B	
Subtotal (Add A + B)	C	
Appropriate Taxes **(refer to table at left)**	D	
Total (Add C + D)	E	

Subtotal Column 5

Refer to Shipping and Handling Charges on the back of this form for the shipping and handling amount.

SEE EXAMPLE ON REVERSE

TAX TABLE

7% GST applicable to all items. PST/HST/GST applicable to shipping. for PEI and Québec, PST is calculated on shipping plus GST.

U.S. and International orders, please pay subtotal C in U.S. funds.

Province	GST	PST	HST
Alberta	7% of C	–	–
B.C., Manitoba, & Sask.	7% of C	7% of B	–
Ontario	7% of C	8% of B	–
N.B., N.S., NF	7% of A	–	15% of B
Québec	7% of C	6.5% of B + GST	–
P.E.I.	7% of C	10% of B + GST	–

GST Registration # 100756428

Shipping and Handling Charges

Points	Canada Regular Rates	Canada Courier Rates	U.S. Regular Air Rates	U.S. Courier Rates	International Regular Air Rates	International Courier Rates	Europe Courier Rates
1	2.55	5.00	5.00	11.00	7.00	24.00	19.00
2	3.65	8.00	6.50	14.00	9.00	30.00	25.00
3 to 5	5.80	11.07	8.11	30.75	12.18	63.75	47.75
6 to 10	6.18	11.07	12.46	34.75	20.61	88.75	55.75
11 to 20	6.43	12.35	18.08	42.75	38.77	118.75	71.75
21 to 40	6.94	14.90	23.81	58.75	64.65	193.75	103.75
41 to 60	7.44	17.62	29.48	74.75	68.12	253.75	129.75
61 to 80	7.95	20.51	35.15	90.75	117.36	313.75	149.75
81 to 100	8.45	23.35	40.92	106.75	146.60	373.75	169.75
101 to 120	8.96	26.20	46.59	120.75	166.71	433.75	189.75
121 to 140	9.46	29.05	52.31	134.75	184.72	493.75	209.75
141 to 160	9.97	31.90	58.00	148.75	207.45	553.75	229.75
161 to 180	10.47	34.75	63.71	162.75	228.92	613.75	249.75
181 to 200	10.98	35.60	69.38	176.75	250.29	658.75	269.75
201 to 220	11.48	40.45	75.05	190.75	N/A	718.75	289.75
221 to 240	11.99	43.30	80.72	204.75	N/A	778.75	309.75
241 to 260	12.49	46.15	86.49	218.75	N/A	838.75	329.75
261 to 280	13.00	49.00	92.21	232.75	N/A	901.75	349.75
281 to 300	13.50	51.85	97.88	246.75	N/A	958.75	369.75
Estimated Delivery times	2-3 weeks	5-10 days	2-3 weeks	5-10 days	4-8 weeks	12 days	12 days

Prices Subject to Change

CMHC Return Policy

We will replace damaged materials and correct shipping errors if we are notified within thirty days after you receive your shipment. If an item is not defective or not mistakenly shipped, then it must be returned by you at your cost within thirty days of receipt. It must arrive here in resaleable condition for you to receive credit.

International Note: Most international return shipments arrive damaged. If you received damaged items, contact CMHC at (613) 748-2969. Please do NOT return the damaged items unless we ask.

Example: To complete order form and determine shipping and handling charges

ORDER NUMBER	REPORT TITLE Please be sure the order number and report title match the listing	1 QTY	2 ITEM AMOUNT $	3 TOTAL AMOUNT 1 x 2	4 SHIPPING POINTS	5 TOTAL SHIPPING POINTS 1 x 4
NHA 8003	Brazil	1	35.-	35.-	3	3
NHA 8033	South Korea	2	35.-	70.-	3	6
					3	
					3	

Subtotal Column 3	A 105.-	Subtotal Column 5: 9
ADD Shipping & Handling Regular Mail ☑ Courier ☐	B 6.18	
Subtotal (Add A + B)	C 111.18	
Appropriate Taxes (refer to table at left)	D 7.78	
Total (Add C + D)	E 118.96	

Refer to Shipping and Handling Charges on the back of this form for the shipping and handling amount.

TAX TABLE

7% GST applicable to all items. PST/HST/GST applicable to shipping. for PEI and Québec, PST is calculated on shipping plus GST.

U.S. and International orders, please pay subtotal C in U.S. funds.

Province	GST	PST	HST
Alberta	7% of C	–	–
B.C., Manitoba, & Sask.	7% of C	7% of B	–
Ontario	7% of C	8% of B	–
N.B., N.S., NF	7% of A	–	15% of B
Québec	7% of C	6.5% of B + GST	–
P.E.I.	7% of C	10% of B + GST	–

GST Registration # 100756428

CMHC's Housing Export Opportunities series contains up-to-date, relevant information on foreign housing markets for the Canadian Housing industry. Our country reports provide you with the market research and analysis you need to make the right business decisions about today's most dynamic offshore housing markets.

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